

New Paltz, NY - As students at the State University of New York at New Paltz begin a new academic year, many are benefitting from new legislation that Congressman Maurice Hinchey (D-NY) recently helped pass into law. The Student Aid and Fiscal Responsibility Act (SAFRA), which took effect in March, completely overhauled the federal student loan program, saving taxpayers \$61 billion that is now being used to make the most significant college aid investment in American history.

"By making the federal student loan program more effective and efficient, we were able to find substantial cost-savings that are now being used to increase Pell Grants and make student loans easier to repay," said Hinchey. "We need to make college more affordable so that the next generation is prepared to compete for the jobs of the 21st century. That's why this law is so important. It helps lessen the burden on parents and students and works to ensure that America can compete in a globally interconnected economy."

SAFRA has changed the way the student loan system functions by originating all new loans through the government's Direct Loan program. And because all loans that originate from the federal government must be serviced by American workers, the bill is expected to prompt the non-profits and private lenders who service the loans to grow their American workforces.

"Before these reforms, the federal government was giving big banks billions of taxpayer dollars to encourage them to provide loans to students -- even though the federal government was already guaranteeing the loans in case the students didn't repay," said Hinchey. "These reforms cut out the big bank middle man in the federal student loan program and allowed us to improve our student aid programs."

Without SAFRA, the maximum Pell Grant was set to be cut in half from \$5,540 in 2010 to \$2,840 in 2011. Instead, constituents in Hinchey's congressional district will now see the maximum grant gradually increase to \$5,975 by 2017. Starting in 2013, the scholarship will be set to automatically rise based on the costs-of-living as represented in the Consumer Price Index. To develop and improve educational or career training programs, the bill creates a \$2 billion competitive grant program for community colleges. In the next five years, the bill also invests \$750 million in improving college access and raising college graduation rates throughout New York State by expanding the College Access Challenge Grant program and other programs designed to prepare students to enter and graduate college and better manage their student loans.

"These reforms are a very positive development for students at New Paltz," said Dan Sistarenik, Director of Financial Aid for the college. "Students will be able to accelerate their studies, receive Pell Grants year round and graduate ready to enter the work force sooner. Middle income families can save on their taxes and borrow less to assist their students in attending college."

The law also makes federal loans more affordable for borrowers to repay by investing \$1.5 billion to strengthen an Income-Based Repayment program that currently allows borrowers to

cap their monthly federal student loan payments at 15 percent of their discretionary income. The new provisions lower this monthly cap to just 10 percent for new borrowers after 2014.

Hinchey has long been a supporter of efforts to make college more affordable for middle class families. In 2008, he helped pass the Ensuring Continued Access to Federal Student Loans Act to protect the student loan program from turmoil in the U.S. financial markets. He also voted for the American Reinvestment and Recovery Act which created the American Opportunity Tax Credit, providing up to \$2,500 annually per qualifying student for college tuition and expenses.